



how to

**ensure your
suppliers are stable**



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With more small and medium businesses going bust every year, you need suppliers you can really depend on. That's why good risk assessment makes good business sense. To give you a helping hand, here's our quick guide to the basics.



Why should I monitor my suppliers?

In between the tasks of every day business and the relentless pressure of finances, you have to rely on those you know and trust. At the end of the very long day, that's what keeps your business running. Unfortunately, in the current financial climate, over 20,000 businesses went bust in the last 12 months. If just one of these were a crucial supplier to your business, you too could suffer a serious knock-on effect on your supply chain.

That's why it's more important than ever to be careful about who you do business with. Monitoring your suppliers carefully will give you peace of mind and an early warning system in case they fall into financial difficulties.



How do I ensure my suppliers are financially stable?

There are several low-cost ways to check out your suppliers. You can enquire about businesses through the Companies House WebCheck service, which will provide top-level information for free. You'll be able to see if their latest accounts are overdue and look for other warning signs like an unusual number of name changes.

However, gathering this raw information can be laborious, and you'll need to interpret it yourself. To get a better picture of the business' stability, it's best to consult a credit reference agency that can provide a risk audit or business monitoring service.



What is a risk audit?

Risk auditing is a means by which a business can gauge the stability of other businesses, in order to check if dealing with them is a risk to itself. This is conducted by a credit reference agency, which takes an in-depth look at the financial and legal information available on the business in question to ascertain whether it's likely to go under in the near future.



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How is a business risk-assessed?

When a business is analysed, it is compared to characteristics that failed businesses have typically displayed in the past. Typically, these can be based on evidence of late filing of annual returns, the number of previous searches for its credit rating, trading losses and late payment of invoices.



How is a credit score calculated?

A business' score is calculated according to its size, credit rating, cashflow habits, legal status, registered addresses, and its directors' histories. This also depends on published financial accounts information on how the business pays credit suppliers, and any negative information such as County Court Judgments (CCJs). The lower the score, the more likely it is deemed to fail within 12 months.

20,000
businesses went bust in the last 12 months*



How can I monitor the risk of a supplier?

A reputable credit reference agency will be able to help you risk assess another business usually in the form of a report. An alternative could be an ongoing business monitoring solution, where you have the option of keeping tabs on the businesses you work with. This is particularly useful as an early warning system, especially when alerts can be set up to let you know when their circumstances change for the worse.



Can I get a copy of my own business report?

Yes. If you are a director or named secretary of a limited liability business, you can apply for your own Company Risk Report through a good credit reference agency. If you own a non-limited business, you're entitled to a Statutory Credit Report, which usually costs no more than a nominal administration fee. Either way, it's good to know your own score in order to take steps toward improving it.

In 2010, firms on average paid their bills

25 days late**

* The Experian Insolvency Index January 2011

** The Experian Late Payment Index Q4 2010

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Key facts

- Corporate misrepresentation costs UK businesses £72 billion every year †
- Small and medium enterprises (SMEs) with 3-5 employees experienced the greatest number of cashflow problems in 2010**
- Firms with 100 employees or less paid their bills the latest in 2010 – 26.58 days beyond payment terms**



How do I get in touch?

To find out more about how Experian can help your business, please visit

www.experian.co.uk/small-business

Look out for our other guides on...

- How to find finance more easily
- How to improve your credit score
- How to manage your cashflow
- How to recruit good people without risk
- How to execute successful email campaigns
- How to find customers with spending power
- How to drive customers to your website

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** The Experian Late Payment Index Q4 2010

† Protecting Corporate Britain from Fraud, Certified Fraud Examiners and Michon de Reya

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